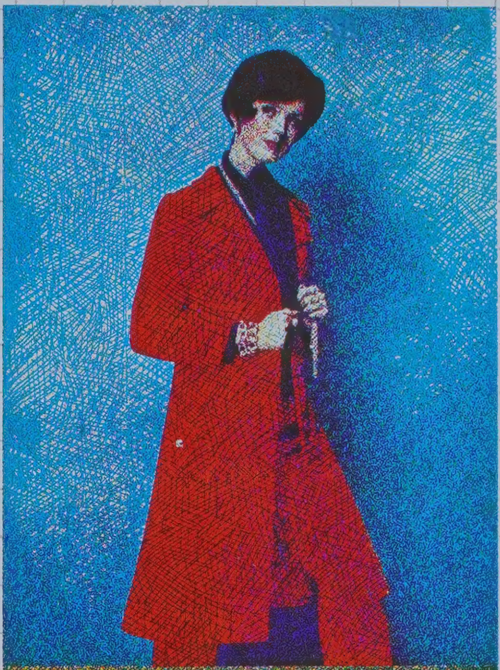
FASHION



ANNUAL REPORT

MAY 26, 1969 / MAY 31, 1970

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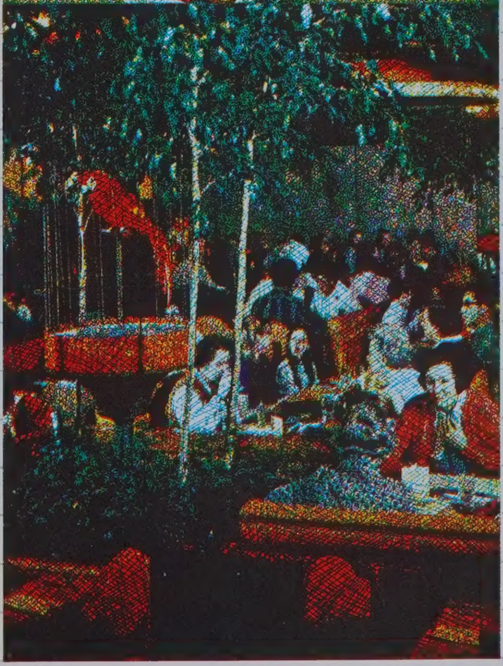
GENERAL MILLS

FUN

FOOD



SOME OF THE PRODUCTS BY WHICH WE ARE KNOWN

FOOD

Betty Crocker Division: BETTY CROCKER Cake, Frosting, Cookie, Brownie and Pudding Cake Mixes; BETTY CROCKER Ready-To-Spread Frostings; BETTY CROCKER Ready-To-Serve Puddings; BETTY CROCKER OVERSAUCES Sauces.

Big G Division: WHEATIES, CHEERIOS, TOTAL, TRIX, CORN KIX, SUGAR JETS, WHEAT STAX, FROSTY O'S, COCOA PUFFS, TWINKLES, COUNTRY CORN FLAKES, CLACKERS, LUCKY CHARMS, KABOOM, FUN PACK, CORN BURSTS, SUGAROOS.

Golden Valley Division: BUGLES, WHISTLES, BOWS, WHEAT CHIPS, HOTCHAS, PIZZA SPINS, FRENCH FRIED POTATO CRISP, ONYUMS; POTATO BUDS Instant Mashed Potato Puffs, BETTY CROCKER Scalloped, Au Gratin and Hash Brown Potatoes; BETTY CROCKER Casseroles; BISQUICK; BETTY CROCKER Pie Crust and Muffin Mixes; Pie Crust Sticks; SOFTASILK Cake Flour; SAFF-O-LIFE Safflower Oil.

Sperry Division: GOLD MEDAL "KITCHEN-TESTED" Flour, GOLD MEDAL WONDRA Flour, GOLD MEDAL Self-Rising Flour, PURASNOW Flour, SPERRY DRIFTED SNOW Flour, RED BAND Flour, LA PINA Flour, RED STAR Flour, REX Flour, WHITE DEER Flour; Bakery Flour; Bakery Mixes; SOFTASILK Cake Flour; Durum Products; SPERRY Pancake Mix; WHEAT HEARTS; RED BAND Cake Mixes; Oat Products; BIG G Candies.

The Gorton Corporation: GORTON'S of GLOUCESTER Seafoods for consumers, including Fish and Chips, Breaded Shrimp, Fish Sticks, Fish Puffs, Sole in Lemon Butter, Shrimp Scampi, Flounder Almondine; Ready-To-Cook Fillets of Haddock, Sole, Flounder and Ocean Perch; BLUE WATER and GORTON'S Seafoods for the fast food industry, including Breaded Portions, Breaded Shrimp, Cooked Portions for school lunch programs, Ready-To-Cook Fillets, Blanched Batter-Dipped Portions for fish and chips.

GoodMark, Inc., and Slim Jim, Inc.: SLIM JIM Meat Snacks, SLIM JIM Beef Jerky; PENROSE Pickled Meat Products; JESSE JONES Sausage, Wieners and Luncheon Meats.

Tom's Foods: TOM'S Toasted Peanuts, Delicious Candies, Potato Chips, Corn Chips, Peanut Butter and Sweet Sandwiches.

The Donruss Co.: SUPER BUBBLE, BUB'S DADDY, IT'S GREAT, T-BIRD Bubble Gum Cigars, DART, SKYROCKET, Novelty (Card Series) Bubble Gum Products.

Food Service and Protein Products Division: GENERAL MILLS Ready-To-Serve Puddings, Pie Fillings, Frozen Convenience Doughs; BETTY CROCKER Vend Products; BAC*OS and other dry and frozen BONTRAE Products; Prepared Baking Mixes; Potato Products; Ready-To-Eat and Hot Cereals.

International Division: Snack Foods in England and Continental Europe; Consumer Foods in Mexico, Canada, Chile, Guatemala, Venezuela and Japan; Mineral Water and Natural Fruit Flavored Drinks in Italy; Flour in Mexico, Guatemala, Nicaragua, Panama and Venezuela; Expanded Soy Protein Products in Sweden.

FUN

Craft, Game & Toy Division: PARKER BROTHERS Games and Puzzles, including MONOPOLY Real Estate Trading Game Equipment, INSTANT INSANITY, OUIJA, SMESS, PHONEY BALONEY, RISK, CLUE, SOMA, ROOK, NERF BALL and many others; KENNER SSP Racers, EASY-BAKE Oven, SPIROGRAPH, GIVE-A-SHOW, Dune Buggy and other sight and sound, homemaker and construction toys; CRAFT MASTER Painting Kits and Flower Kits; MODEL PRODUCTS Car Kits, Flying Rockets; LIONEL Trains; RAINBOW CRAFTS PLAYDOH Modeling Compounds and Toys; IT Games and PUZZLE-UPS Puzzles.

LeeWards: Do-It-Yourself Kits ranging from embroidery and handbags to lamps and other home decorations.

FASHION

David Crystal, Inc.: DAVID CRYSTAL, CHEMISE LACOSTE, STONY BROOK and CRYSTAL KNITS Fashions for women; HAYMAKER Sportswear for women; IZOD Sportswear for men; CRYSTAL SUNFLOWERS Children's Wear; KNOTHE Pajamas and Belts for men.

Monocraft, Inc.: MONET Fashion Jewelry, including necklaces, bracelets, pins, earrings and charms.

SPECIALTY CHEMICALS

General Mills, Inc.: O-CEL-O Cellulose Sponges.

General Mills Chemicals, Inc.: VERSAMID, VERSALON and MILVEX Polyamide Resins; VERSADYME Dimer Acids; GENEPOXY Epoxy Resins; LIX Ion Exchange Reagents and Systems; ALAMINE, ALIQUAT and DIAM Fatty Nitrogen Compounds; DERIPHAT Amphoteric Surfactants; GENEROL Sterols; Tocopherol Products; COVITOL and COVISEC Vitamin E Concentrates; PAYGEL and AYTEX Wheat Starches; PRO-VIM Vital Wheat Gluten; MERIT Wheat Germ Oil; SUPERCOL Edible Guar and Locust Gums; FLAVOR ISLANDS for ice cream; Vitamin Concentrates for dairies; RELEASAGEN for mold release agents.

NEW STYLES IN FOOD, FUN AND FASHION

Service, as always, is the key to success, and styles of service must keep pace with this fast-changing world. On the cover, photographs forming the bars of a symbolic graph illustrate General Mills' growth through expanding service with new styles in food, fun and fashion.

GENERAL MILLS

CONTENTS

NOTICE TO STOCKHOLDERS: The annual meeting of the stockholders of General Mills, Inc., will be held at 3:00 p.m., Central Daylight Time, on September 15, 1970, at Golden Valley (Minneapolis 55440), Minn. The *Notice of Annual Meeting of Stockholders and Proxy Statement* is being mailed to reach stockholders on or about August 24, 1970.

How the sales dollar was divided

The Year in Brief

000 omitted	53 Weeks Ended May 31, 1970	52 Weeks Ended May 25, 1969 Restated *	52 Weeks Ended May 25, 1969 As reported
Sales	$1,021,747	$922,441	$885,242
Earnings before extraordinary items	40,610	38,133	36,263
Extraordinary items	(13,544)	1,284	1,284
Net earnings	27,066	39,417	37,547
Earnings before extraordinary items per dollar of sales	4.0¢	4.1¢	4.1¢
Earnings per common and common equivalent share:			
Earnings before extraordinary items	$1.88	$1.77	$1.77
Net earnings	1.25	1.83	1.83
Wages, salaries, employee benefits	198,036	167,328	161,799
Taxes—Federal, State and Local	62,609**	56,821	54,261
—per cent of earnings before taxes	60.7%	59.8%	59.9%
Dividends—common stock	$ 16,368	$ 14,248	$ 13,977
—preference stock	2,657	2,733	2,733
Earnings in excess of dividends	8,041	22,436	20,837

* Restated to include results of David Crystal, Inc., acquired September 23, 1969, Knothe Brothers Co., Inc., acquired December 2, 1969, and Red Lobster Inns of America, Inc., acquired January 6, 1970.

** Excluding income tax credits of $5,516,000 related to extraordinary items.

TO STOCKHOLDERS AND EMPLOYEES

Chairman's and President's Report

Despite a slowing economy and inflationary pressures which created problems and uncertainties for businessmen and consumers alike, we are pleased to report that General Mills last year achieved its first billion dollar sales year while posting new records in earnings and earnings per share before extraordinary items.

For the 53 weeks ended May 31, 1970, General Mills' sales grew to $1,021,747,000. This represents a gain of 10.8 per cent, or nearly $100,000,000, above the figures restated for fiscal 1968-69.

Earnings before income taxes and before adjustments for earnings of partially owned subsidiaries grew six per cent, totaling $84,775,000. Earnings after taxes but before extraordinary items advanced 6.5 per cent to $40,610,000, or $1.88 per common and common equivalent share. This is 11 cents, or 6.2 per cent, greater than the $1.77 reported a year ago.

The company is reporting net extraordinary charges of $13,544,000, or 63 cents per share (see page 18). Therefore, net income, including extraordinary items, is $27,066,000, or $1.25 per share.

Largely responsible for the extraordinary charge was a write-off of goodwill of the company's English subsidiary, The Smiths Food Group Limited. When General Mills made its tender bid for Smiths in December, 1967, an improved trend had developed in Smiths' operations, and the entire potato chip (crisps) market was growing. The favorable trends were reversed in the spring of 1969 when a 22 per cent purchase tax was imposed on crisps and nuts. The market shrank substantially in the following year, and Smiths' volume declined. The write-off of goodwill was made in connection with a revision of the legal structure of Smiths to permit additional flexibility in rebuilding that company's position in the English market. We anticipate some recovery in Smiths' profitability during 1970-71.

Favorable trends existed in most businesses, and this permitted gratifying progress toward your company's long-range goals. Established operations continued to grow and prosper, more than offsetting a decline in earnings by craft, game and toy operations. For the second successive year, our large and reliable food businesses accounted for just under 85 per cent of corporate operating profits and showed excellent growth. Specialty chemicals also achieved improved results. Important sources of sales and earnings began to emerge from newer operations, largely in non-food consumer products and services. We will continue to expand in previously entered new areas and fully expect growth in these areas during the year ahead.

While current operations were generating improved earnings for the company, investment in growth activities continued. David Crystal, Inc., a leading fashion apparel firm, was acquired to increase participation in the fashion field. Red Lobster Inns of America, a chain of specialty seafood restaurants, joined the General Mills family to add another dimension to our current exploration of profit potential in the restaurant field. Gross capital expenditures for internal projects totaled $59,000,000, including construction of new facilities to support expansion of protein food marketing, to accelerate growth of our craft, game and toy activities and to expand our direct marketing efforts.

Having built these attractive bases in newer markets, we believe our primary task in the immediate period ahead is to capitalize on these opportunities. During 1970-71, we anticipate expenditures for internal projects at about the level of the year past, largely to support newer activities. We also will be seeking opportunities to refinance, with debt, present intermediate term obligations on a favorable longer term basis.

We communicated with you on July 28 regarding three different actions involving certain segments of our business: (1) an action initiated by the Federal Trade Commission that would, if successful, require divestiture of The Gorton Corporation, our seafood subsidiary (see page 12); (2) a recent statement of the FTC that it will initiate a "very thorough" study of the structure and performance of the breakfast cereal industry; and (3) recent testimony by a witness before a Senate subcommittee hearing in Washington reflecting on the nutritional values of ready-to-eat cereals. There have been no further developments in these matters as this is written except that the testimony of the witness before the Senate subcommittee has been thoroughly discredited by the testimony of leading nutritionists and industry representatives at a subsequent hearing of the Senate subcommittee. We are confident that our operations are lawful and proper.

The trend in consumerism has recently focused greater public attention on the food eaten by the American public; we support this increased interest. General Mills research for years has been preoccupied with improving the nutritional quality of foods. With this background, the company is in position to lend significant assistance to the welcome movement toward consciousness of the values of good nutrition. In the process, we are confident that this will also enhance the growth of General Mills.

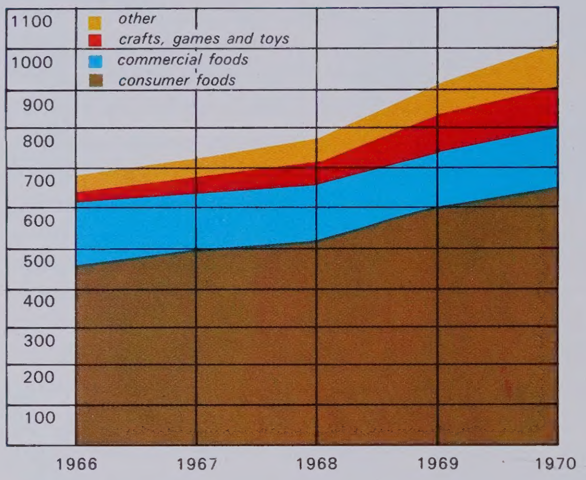
Despite continuing economic uncertainty and inflationary pressures in 1970-71, we remain optimistic that the consumer segment of the economy will regain growth momentum as the year progresses. We believe our competitive position will be stronger in most areas. Therefore, the improved climate that we anticipate, coupled with the continued and much appreciated support of our stockholders and employees, should assure success for our efforts toward growth in sales, earnings and service to consumers.

August 14, 1970

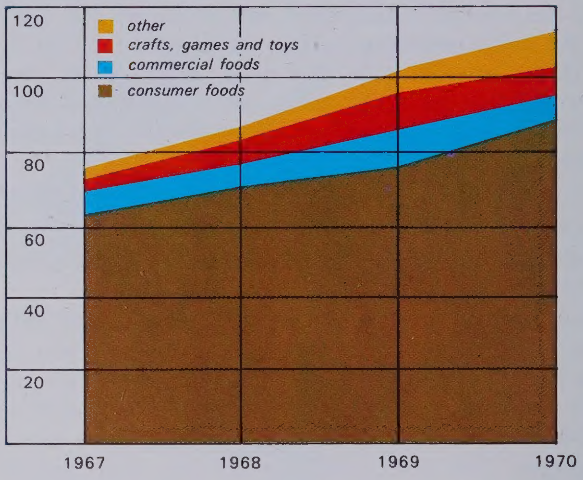
J. P. McFarland
Chairman of the Board

J. A. Summer
President

SALES *millions of dollars*

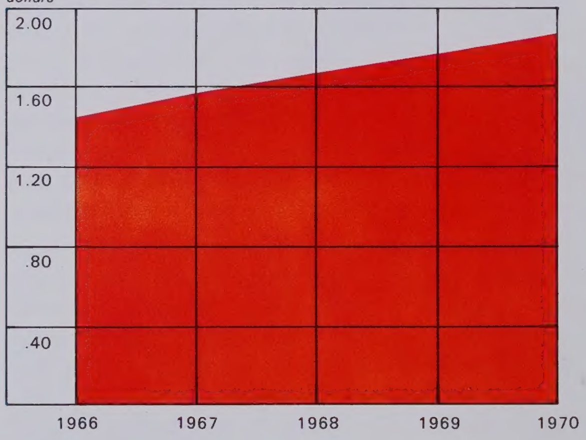


OPERATING EARNINGS *millions of dollars*



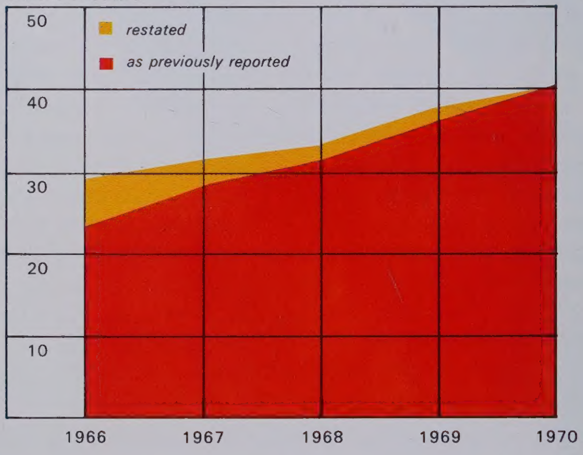
EARNINGS PER COMMON and COMMON EQUIVALENT SHARE BEFORE EXTRAORDINARY ITEMS

dollars



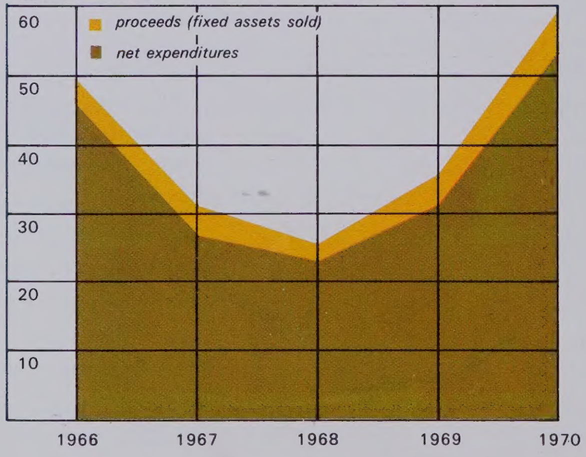
EARNINGS BEFORE EXTRAORDINARY ITEMS

millions of dollars

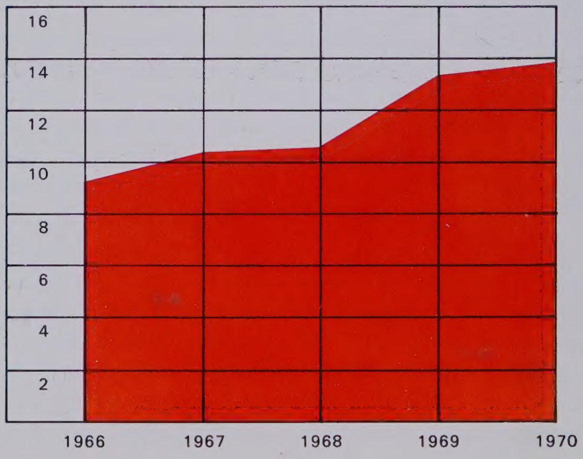


EXPENDITURES FOR PLANT and EQUIPMENT

millions of dollars



RESEARCH EXPENDITURES *millions of dollars*



See pages 23, 24 and 25 for data on which these charts are based.

BUSINESS REVIEW

In its 42nd year, General Mills joined the ranks of companies with annual sales of more than a billion dollars. More importantly, this growth was matched by the eighth successive year of record high earnings and earnings per share before extraordinary items. Dividends per share of common stock rose by 10 per cent, totaling 88 cents and marking the sixth consecutive annual increase.

Sales were $1,021,747,000, an increase of 10.8 per cent over the previous year's $922,441,000 with figures for both years restated under pooling of interests accounting procedures to include: David Crystal, Inc., Knothe Brothers Co., Inc., and Red Lobster Inns of America, Inc., all acquired in 1969-70. About two-thirds of the sales gain resulted from internal growth. Fifty-two per cent of 1969-70 sales resulted from successful marketing of items not part of our line five years ago.

Sales of international operations reached $134,107,000, or about 13 per cent of the company total.

Earnings after income taxes and before extraordinary items totaled $40,610,000, a gain of 6.5 per cent over the comparable figure for the previous year. Earnings before income taxes and before adjustments for partially owned subsidiaries were $84,775,000, six per cent above the year before.

Earnings per common and common equivalent share before extraordinary items reached $1.88, 11 cents or 6.2 per cent over the $1.77 in 1968-69.

After-tax earnings were reduced by $13,544,000, or 63 cents per share, as the result of extraordinary items recorded against 1969-70 results. The most significant charge was a $13,087,000 write-off of goodwill of the company's English subsidiary, The Smiths Food Group Limited. This action followed reorganization of Smiths into a United States subsidiary of General Mills, Inc. It reflects the reduced value of Smiths, due in large part to the depressed market for crisps and nuts, apparently caused by a 22 per cent purchase tax imposed by the British government in the spring of 1969. This has resulted in intensified competition and profit pressure, which is expected to persist until the market resumes its healthy growth rate. Other extraordinary items were largely offsetting (see page 18).

Orientation of General Mills' business toward the consumer and his changing life-style continued. Over 36 per cent of sales for the year represented items aimed toward the consumer's leisure time with the object of attracting discretionary spending, compared with roughly five per cent in this category five years ago. Consumer products designed primarily for mealtime consumption continue to account for approximately half of the General Mills sales dollar.

Inflation continues to pose serious problems for consumers and the company alike. Although General Mills has made significant efforts to offset rising costs, somewhat less than three per cent of total sales dollars represents price increases posted during the year. While operating profit margins held firm at 11.1 per cent of sales, pre-tax margins nonetheless fell to 8.3 cents per sales dollar from the previous year's 8.7 cents, and after-tax earnings to 4.0 cents compared with 4.1 cents. Higher interest expense, resulting from expanded borrowing to support investment programs and higher interest rates, was a major factor in these declines.

Because the company in 1965 adopted a fiscal year with four equal quarters of 13 weeks each, or a total of 364 days, the odd days have accumulated. Fiscal 1969-70, therefore, was a 53-week year, ended on May 31.

FOODS

General Mills' major operation is food processing, which accounted for 78.5 per

FOOD. *Betty Crocker Oversauces, introduced nationally in 1969-70, add glamour to everyday meals. These five delicious sauces—Hollandaise, Newburg, Mushroom, Bordelaise and Cheese—were created from authentic recipes of a continental chef to serve increasingly sophisticated consumer tastes.*

FOOD. *To American families, Red Lobster Inns offer a new source of eating pleasure; to General Mills, a new opportunity for profitable service.*

cent of 1969-70 sales. Revenue from food products totaled $802,000,000, representing growth of 7.3 per cent over the previous year. Operating profits rose 11 per cent to $95,800,000 and account for 84.3 per cent of corporate totals.

Management views food as a business in which continual alertness to changing consumer interests and consumption patterns is the key to continuing success. It recognizes that American per capita caloric intake is generally declining and that eating habits are changing from traditional at-home eating toward increased away-from-home dining and between meal snacking.

During the past year, the company's market share increased in nearly all of the consumer food areas in which General Mills competes. New package foods and other products were introduced periodically to conform with changing demands for quality, nutrition, convenience and altered life-style requirements.

Recognizing that an increasing percentage of meals will be prepared and consumed away from home, the company continued broadening and upgrading product lines offered to food service operators. The Food Service and Protein Products Division was created by merging two existing divisions to centralize this effort, which will include the introduction of BONTRAE products, foods made from spun soy protein, on a national basis in 1970-71.

In addition, seven different restaurant concepts were in test stages to determine profitable opportunities for direct service of meals to away-from-home diners (see New Ventures).

In all respects, General Mills looks on its position in the food market as a solid base for future profit growth.

Cereals and Snacks

Nearly one-third of total 1969-70 corporate sales, or $333,000,000, came from cereal and snack products, representing a 7.7 per cent gain during the year. Operating profits advanced, and at $53,000,000 were almost half the corporate total. Strong performance by key cereal and snack lines contributed importantly to the increase, as did full-year results from The Donruss Co., included for only two months in 1968-69.

Ready-to-eat cereals continued to be the company's most important product line. During the past year, total retail sales of ready-to-eat cereals by the industry grew about four per cent to over $720,000,000. Big G products gained in market share for the second successive year and, with over one-fifth of total sales, solidified their No. 2 position in the industry.

In recognition of increasing consumer concern for nutritional aspects of cereal products, the vitamin level of our adult cereal, TOTAL, was improved with the addition of vitamin E, and iron was added to cover adult requirements for this mineral. KABOOM, a pre-sweetened vitamin and iron fortified cereal, was introduced for children.

Aggressive marketing reinforced consumer acceptance of such established products as Cheerios, the nation's leading children's cereal. Wheaties, our second largest brand, benefitted from successful promotional efforts. Lucky Charms retained its position as the fastest growing item in the market's fastest growing segment, pre-sweetened cereals. These and other efforts resulted in improved cereal performance.

General Mills' snacks achieved substantial growth during the year. An important contributor to the overall gain was the Big G shaped snack line. Two new flavor-accented products were added, Hotchas with the taste of Mexican tacos and Onyums with the taste of onion rings. New advertising copy, emphasizing flavor and featuring multiple products in each TV commercial, was introduced to increase advertising effectiveness.

Also to increase efficiency, snack pro-

duction facilities were merged. A new chip product, Wheat Chips, was introduced nationally late in the year. Chipos, a potato chip made from reconstituted potatoes, continued to perform favorably in test markets.

The Tom Huston Peanut Company, recently merged into Tom's Foods Ltd., reported progress in almost all product lines, achieving solid profit improvement despite notable losses incurred by withdrawal from the market of beverage mixes affected by the cyclamate ban. Improved processing methods increased the efficiency of potato chip and confectionery production. Increased bakery capacity is making possible the introduction of oatmeal cakes, fig bars and pecan fudge brownies. Conversion from five-cent to 10-cent confectionery products, both over the counter and through vending machines, was completed. Tom's vending machines grew in number to about 125,000. Several new distributors were added to increase Tom's coverage throughout the country, including distributorships owned and managed by black entrepreneurs, some of which are in New York, Philadelphia, Oakland, Minneapolis and Cedar Rapids, Iowa.

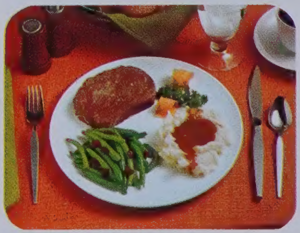
The Donruss Co., of Memphis, Tenn., continued its record of excellent sales and earnings growth with a diverse line of bubble gum products.

Slim Jim and Penrose products broadened distribution channels, and expansion of meat snacks sales will be assisted by introduction of new items.

International snack businesses were a cause for both concern and optimism. English operations of The Smiths Food Group were seriously affected by a sharp reduction in the market for crisps and nuts apparently caused by the 22 per cent purchase tax. However, two new snack items were introduced in the United Kingdom, and a test vending machine program is now being rapidly expanded. Efforts to introduce new products outside England continue, particularly with Smiths' subsidiary in Holland and with Biscuiterie Nantaise, a majority-owned subsidiary in France. New snack items were also introduced successfully by subsidiaries in Mexico and Japan.

Mixes, Family Flour, Seafood and Other Consumer Foods

Enhanced market penetration resulted in an 8.2 per cent increase in sales of mixes, family flour, seafood items and other consumer foods although they compete in some of the most mature markets of the food industry. Sales of $314,300,000



FOOD. *From a new plant at Cedar Rapids, Iowa, BONTRAE textured vegetable protein foods will flow to restaurants, schools, hospitals, food processors and consumers. Shown in the large photograph above are, clockwise from the lower left, granules with a flavor like beef, ham-flavor dice, Bac*Os and dice with a flavor like chicken. Below, from the left, are shown appetizing servings of BONTRAE beef-flavor loaf with green beans and Bac*Os, BONTRAE with a ham-like flavor and scalloped potatoes, BONTRAE with chicken-like flavor and rice.*

and operating profits of $35,200,000 were both just under one-third of the corporate totals. While most established lines generated profit growth, the increase was offset by increased expenditures for introduction and development of new product lines and decreased profits from Canadian food activities affected by a lengthy strike.

General Mills increased its leadership, with well over a 28 per cent share in the $265,000,000 family flour market, by stabilizing sales and profits despite a market decline of over three per cent, which continues a long-term sales trend. Gains in share of the market enabled Gold Medal Flour volume to exceed that of the prior year.

Betty Crocker dessert mixes and ready-to-serve items made General Mills the leader in dessert markets in which company products compete and which total about $400,000,000 at retail. Betty Crocker products remained No. 1 or 2 in every sub-segment.

Reformulated cake mixes that give the customer richer, moister and better tasting finished products were successfully introduced and helped the Betty Crocker layer cake line increase its market share to the highest level in several years. Three new layer cake flavors—Caramel Apple, Milk Chocolate and Sour Cream White—were introduced. An exotic new dessert, Pineapple Upside Down Cake, gained in popularity.

The frosting market continued to grow, especially the ready-to-serve segment. General Mills introduced one new ready-to-spread flavor plus companion mixes for the three new flavors of layer cake. Betty Crocker canned puddings also increased their market share, aided by a new rice product.

Specialty baking products enjoyed significant gains during the year in markets totaling about $80,000,000. Supported by intensified marketing efforts, reformulated Bisquick attained national distribution and achieved a significant increase in sales. Betty Crocker pie crust products increased their leadership with the assistance of new improved higher shortening pie crust sticks. Two new Betty Crocker muffin flavors, Butter Pecan and Sunkist Lemon, helped the muffin line sustain its growth trend.

Accelerated growth by specialty potato products, such as scalloped, au gratin and hash browns, and the continued growth of Potato Buds allowed General Mills products to outpace market growth and hold their leadership in the processed potato business.

Completion of the national introduction of five Betty Crocker Oversauces—Bordelaise, Newburg, Hollandaise, Cheese and Mushroom—put General Mills into a new market. Directed to the creative woman interested in new food ideas, Betty Crocker's Oversauces add taste and diversity to everyday dishes.

The Gorton Corporation of Gloucester, Mass., reached programmed objectives during its first full year with General Mills despite two major problems: first, silver salmon fishing off Cordova, Alaska, was poor; second, the cost of cod blocks, a major raw material, increased well in excess of price increases of finished products. Led by Fish & Chips, results from frozen seafood products in the United States were favorable.

International consumer food operations were troubled by a costly strike at the company's Canadian package foods plant. Inflationary tendencies also caused some margin erosion at Toronto Macaroni & Imported Foods Limited. In Latin America flour operations were generally very successful but export of package foods to other parts of the world failed to achieve anticipated volume.

Commercial Foods

Food products sold to bakeries, hotels, schools, restaurants, institutions and to other food manufacturers continued as an important operation although sales of $154,700,000 represented only 15 per cent of total corporate sales, declining from 16 per cent the previous year and 23 per cent five years ago.

FUN. *Big SSP (for supersonic power) racers are delighting the young set. One pull of a Power-T stick sends the racer over 80 feet at 400 scale miles per hour.*

FUN. *It's easy and enjoyable to make floral pictures with real flowers from "The Art of Flowering Kits," products of Craft Master Corporation, part of General Mills' Craft, Game & Toy Division.*

Food service product lines were upgraded and broadened during the year. New facilities are being prepared in Cedar Rapids, Iowa, to produce additional lines for a growing market. Costs of developing Cedar Rapids food processing facilities and associated product lines, raw material cost increases and reduced earnings of the food service line of Morton Foods, Inc., were largely responsible for the fact that operating profits, at $7,600,000, were slightly lower than the year before.

To meet accelerating demand for convenience foods in the institutional market, the Food Service and Protein Products Division introduced 12 new products. New introductions emphasized convenience and included frozen puff pastry doughs, puddings for vending machine sale and several additions to ready-to-serve salad, pudding and sauce lines.

Gorton's sales of frozen and canned institutional seafoods gained, assisted by several new products. Further solid growth in this area is expected.

Gorton's operations in Peru were exceptionally good as a result of excellent fish landings and strong fish meal prices. The situation is complicated by increasing government control of the industry, including full marketing authority and even the possibility of partial nationalization. However, Peru, while important, is not critical to Gorton's overall growth.

Bakery flour volume rose slightly, as did sales of food ingredients to other manufacturers. General Mills Chemicals, Inc., the newly established subsidiary which produces and sells food ingredients and specialty chemical products, introduced a product with the brand name Chono in limited markets. Chono is a blend of natural dried egg white and artificial egg yolk for use in the control of dietary cholesterol and fat.

Internationally, Latin American flour milling operations reported favorable results.

SPECIALTY CHEMICALS

General Mills' specialty chemical business recorded significantly improved performance. Operating profits of $2,800,000 from chemical products represent a gain of 40 per cent over the previous year. Sales of $36,342,000 were slightly below those of 1968-69 which included the sales of Polymer Corporation Limited of Australia (sold in April, 1969). Sales exclusive of Polymer Corporation Limited increased more than five per cent.

New products contributed significantly to sales and earnings. Production of Milvex brand specialty nylon resins was begun in a new plant at Kankakee, Ill. These resins are finding increased application, particularly as high-strength metal-to-metal adhesives. The use of LIX 64N as a reagent for recovery of copper continues to increase and another copper producer using this reagent began commercial operations at year end. New markets were developed for chemical derivatives of guar gum, and Waterpoxy resin systems were further developed with the introduction of a new system designed specifically for seamless flooring.

CRAFTS, GAMES AND TOYS

The past year was a significant one in the continued growth of General Mills' activities in the craft, game and toy markets. The groundwork has been laid for General Mills to capitalize on what most economists believe to be a decade of ever-increasing consumer spending for nondurable toys, recreational and educational family products. To ensure accelerated growth in the future, substantial investments were made to improve existing facilities, to strengthen subsidiary managements and to expand international operations. Sales gains were made by almost all craft, game and toy subsidiaries, pushing volume to $104,100,000. Sales growth, however, was below projections. This, coupled with a significantly higher level of spending, resulted in disappointing earnings of $6,900,000 for the year.

New products continued to play critical roles in the growth of General Mills' companies. At Parker Brothers, Monop-

oly, Sorry and Clue continue to be the world leaders in the board game field while newer games and puzzles, such as Soma, Phoney Baloney and Nerf Ball, contributed important new sales. Additions to Kenner's Spirograph and Easy-Bake Oven lines kept these items on the industry's best seller list, and an entirely new product concept, SSP, gyroscopic-powered toy racers, is being successfully introduced. Rainbow Crafts enhanced its Playdoh image with preschoolers by adding a number of new items including a revolutionary new line of three-dimensional educational puzzles called Puzzle-Ups. In the craft and hobby market, several important new offerings were introduced, including the highly respected Lionel Train line, a line of flying model rocket kits and a number of new Craft Master paint-by-number sets.

Substantial progress was made in strengthening activities overseas. General Mills now has operational bases in Canada, England, the European Common Market and Australia. We continue to be impressed by the rapidly expanding economies of certain foreign nations and believe our craft, game and toy operations in these markets will grow at an even greater rate than in the United States.

NEW VENTURES

General Mills has new ventures in three areas—direct marketing, BONTRAE foods and away-from-home eating. A fourth, fashion products, reached division status during the year although it continues to be included in New Ventures for statistical purposes. Several pilot operations in other fields are also under way.

The concept of growth through development of businesses new to the corporation has proved its value, as demonstrated during the past four years by the creation of a profitable and expanding venture in craft, game and toy markets. As one means of achieving growth goals, management is concentrating on developing additional product and service areas to which General Mills marketing skills can be applied and which have the potential to grow to about $100,000,000 in annual sales over a period of several years. Efforts are being concentrated primarily

FASHION. *A new look for Chemise Lacoste brings exciting elegance to the fall line of David Crystal. Jewelry in the golden manner of Monet is by Monocraft, also part of General Mills' Fashion Division.*

on goods and services which serve the consumer and on which brand positions can be established.

Fashion products and LeeWards direct marketing activities accounted for the preponderance of New Ventures sales which totaled $79,300,000. Also included in the sales figures are test market sales of BONTRAE food service items and revenues of all away-from-home eating test operations. Though some of the newer elements operated on a development cost basis, operating profits of $8,200,000 are double those reported for the same activities the year previous.

Components of a newly organized Fashion Division include David Crystal, Inc., designers and manufacturers of casual apparel for women and children and sportswear for both women and men; Knothe Brothers Co., Inc., a manufacturer of men's belts, accessories and sleepwear; and Monocraft, Inc., makers of the Monet collections of fashion and basic costume jewelry. David Crystal and Knothe were acquired on a pooling of interests basis during fiscal 1969-70.

David Crystal's remarkable growth continued during the year. Consumer demand for doubleknit polyester dresses, sold largely under the Chemise Lacoste label, and for most other Crystal lines grew significantly.

David Crystal's women's apparel for spring and summer, 1970, continues to win strong trade and consumer acceptance; however, management remains watchful, as always, for emerging style changes. Since most of David Crystal's sales volume comes from casual attire of the classic fashion type, changes in "fad" and "couture" styles are not expected to impair seriously acceptance of David Crystal designs.

Trends continued to be favorable for Monet's established lines of pins, bracelets, necklaces, charms and earrings. A new line of attractively styled charm pendants was introduced.

1970 marked the first full year of operations with LeeWards, the company's initial entry into the rapidly expanding field of marketing products and services directly to the consumer. LeeWards offers a vast selection of needlework and home decorating items through their 15,000,000 mail-order catalogs. In addition, a retail outlet adjacent to its home office facili-

ties in Elgin, Ill., has been supplemented by new outlets in Columbus, Ohio, and suburban Minneapolis. In view of the excellent growth rate for direct marketing companies and the performance of Lee-Wards, additional opportunities in this field are being pursued.

Another venture team, now part of the Food Service and Protein Products Division, is charged with developing expanding markets for BONTRAE foods—textured protein products created from agricultural raw materials. A first product, Bac*Os, is now in national distribution. Additional products containing BONTRAE ingredients have been tested by food processors. Other items have been successfully test marketed through food service channels. As a result, the world's first major commercial plant to manufacture this new group of foods was constructed in Cedar Rapids, Iowa, with commercial production to begin in the second quarter of 1970-71. Initial efforts will be concentrated in the food service area, where tests indicate acceptance can most readily be achieved and where the greatest current domestic market for these products exists. We anticipate that several years and the market development efforts of General Mills and other companies will be needed before expected profits are realized.

To participate in the long-term growth of away-from-home eating, General Mills plans to establish one or more chains of family oriented restaurants. Initially, efforts have concentrated on testing concepts, both in the United States and overseas. Realistically, it is not expected that all these ventures will be continued. When the best investment opportunities for future profit growth are determined, however, the most promising operation or operations will be expanded.

Two concepts involve restaurants with dining room service. One is the Red Lobster Inns of America, Inc. This operation offers a full menu of seafood specialties and limited additional choices at family prices. At the end of the year, five units were in operation in central Florida, each providing seating for 260 patrons. Plans have also been approved for adding about one unit per month, all company owned, in the southeastern United States during 1970-71.

A second concept is the Betty Crocker Tree House Restaurant & Bake Shop, a facility combining seating for about 275 with a bakery, a take-home food facility and a gift shop, all in one attractive establishment. Betty Crocker Tree House Restaurants have been opened and are operating successfully in Dallas, Tex., and Scottsdale, Ariz. Third and fourth units are nearing completion in Columbus, Ohio, and Kansas City.

Another concept still being tested for expansion potential is in the specialty food area, Betty Crocker's Pie Shop and Ice Cream Parlor. Several free-standing units, now under construction, will feature fresh-baked quality pies, plus ice cream parlor specialties and a limited sandwich menu.

FASHION. *Haymaker for women, Izod for men, from David Crystal. A long, thin-striped pull-over sweater with color coordinated cardigan goes well with a wide-legged bermuda showing the "crocodile" trademark. A Chemise Lacoste sports shirt topped with a classic cardigan joins patterned doubleknit slacks in an outfit just right for casual living.*

Future expansion of the other concepts will be dependent on continued test experience. These include: Union Jack, a fast-food operation featuring fish and chips and other seafood specialties; Jesse Jones Restaurants in the Raleigh-Durham, N. C., area, featuring a sausage-biscuit combination as part of a limited menu; Smithy's in England with a limited menu tailored to British tastes; and in Brussels, Belgium, Jiffy restaurants featuring hamburgers, ham/beef sandwiches and chicken, with fruit turnovers for dessert.

CAPITAL INVESTMENTS

Gross expenditures for land, plant and equipment totaled $59,012,000 for the year, nearly 65 per cent more than in 1968-69. This represents record investments for General Mills and is largely attributable to expansion programs.

Some of the more significant of these expenditures were those for the new BONTRAE plant and a new food processing plant in Cedar Rapids, Iowa. Other projects (not heretofore mentioned) include a new warehouse for Kenner and Parker Brothers, a new meat snack plant at Philadelphia, expansion and consolidation of International Division facilities in several countries, purchase of land and construction of restaurants for the many away-from-home eating ventures and construction of a new computer wing of the headquarters office building in Minneapolis.

FINANCIAL

The past year was one of reduced activity in the financial markets and consolidation of existing external financial resources. Financing demands were adequately met through continued use of funds available under a $110,000,000 revolving credit arranged with 14 banks two years ago. A portion of seasonal working capital needs was obtained through the commercial paper market, the first such use of this facility for several years.

Abroad, several short-term bank credits were funded into a $9,300,000 three-year loan denominated in Swiss francs.

The company may take advantage of favorable market opportunities to refinance all or part of its intermediate term credit provided by a number of banks.

JAMES FORD BELL TECHNICAL CENTER

General Mills' line of BONTRAE textured vegetable protein foods, created by the staff of the James Ford Bell Technical Center, earned a major national honor in fiscal 1969-70. For development of the manufacturing process for BONTRAE products, the company received the Kirkpatrick Chemical Engineering Achievement Award, regarded as the nation's foremost recognition for chemical engineering accomplishment. In past years, the Kirkpatrick Award has honored such significant "firsts" as the manufacture of broad system antibiotics and development of the synthetic rubber industry. BONTRAE products are the first foods to be so honored.

In its first full year of application, the company's Technical Center concept for corporate research, development and engineering proved highly successful. Each of General Mills' larger divisions has responsibility for its own research program at the Technical Center apart from corporate sponsored research. As a result, the advantages of an integrated technical facility are combined with a market oriented approach to new product development.

In 1969-70, research expenditures by General Mills and its subsidiaries totaled $13,752,000.

ADVERTISING

General Mills and its various subsidiaries spent $56,928,000 in advertising media during 1969-70.

LEGAL MATTERS

On July 20, 1970, following a two-year interval after a stated intention to do so, the Federal Trade Commission served on the company a notice of its determination to proceed under the antitrust laws to seek the divestiture by General Mills of all of its interests in The Gorton Corporation, acquired by the company in August, 1968. Before making the acquisition, General Mills studied the legal question now raised by the FTC and concluded that the acquisition would not violate any existing law. That is still our opinion. If the proposed formal complaint is issued, it will entail long and costly litigation.

FASHION. *For the young ones, David Crystal offers Crystal Sunflowers. The girl's dress and boy's jumpsuit are trimmed with the "reptile" look.*

There have been no developments in the investigation by the Federal Trade Commission of General Mills' acquisitions in the craft, game and toy fields, which investigation was reported a year ago.

In December, 1969, the Antitrust Division of the United States Department of Justice initiated in Seattle a Federal Grand Jury investigation of the flour milling industry in search of possible antitrust violations in sales of flour and millfeed. Requested documents have been submitted for consideration, but no witnesses have been called to appear before the Grand Jury.

NEWS HIGHLIGHTS

New Management Assignments Implement Plans for Growth

On November 24, 1969, James P. McFarland became the sixth Chairman of the Board of General Mills. He continues as Chief Executive Officer, a position to which he was elected in September, 1968. As Chairman, he fills a vacancy created by the retirement of Gen. Edwin W. Rawlings in January, 1969.

A Director since 1963, Mr. McFarland is a veteran of 36 years' service with General Mills. He became a Vice President in 1957, Executive Vice President in 1964 and President and Chief Operating Officer in 1967.

James A. Summer, who had served as Executive Vice President and Chief Operating Officer since December, 1968, succeeded Mr. McFarland as President, continuing his responsibility for operations.

After joining General Mills as Coordinator of Planning in 1960, Mr. Summer became Vice President and General Manager of the Electronics Division in 1962 and Corporate Controller in 1965. From 1967 to 1968, he served as Managing Director of The Smiths Food Group Limited, a British subsidiary, and joined the Board of Directors of General Mills in September, 1968.

To provide General Mills with breadth and continuity of leadership as it continues to grow and diversify, five key executives were given new assignments and added responsibilities during the fiscal year. E. Robert Kinney, Burton W. Roberts and Donald F. Swanson became Executive Vice Presidents. Paul L. Parker was elected Senior Vice President, and Henry H. Porter, Jr., was named Vice President-Finance and Treasurer.

Mr. Kinney, formerly President of The Gorton Corporation, which merged with General Mills in August, 1968, now has responsibility for The Gorton Corporation, the Consumer Foods Group, Away-From-Home Eating, General Mills Chemicals, Inc., O-CEL-O Operations and Corporate Real Estate.

Mr. Roberts, who started with General Mills in 1937, became a Vice President in 1958, a Group Vice President in 1966 and a Director in 1967, has overall responsibility for Tom Huston operations, Consumer Specialties Division, Food Service and Protein Products Division and the Purchasing Department.

Mr. Swanson has responsibility for the Craft, Game & Toy Division, International Division, Fashion Division and the Transportation Department. He joined General Mills in 1949, became a Vice President in 1964. Most recently, he served as Corporate Administrator for the Consumer Foods Group, Fashion Division, Advertising and Marketing Services and the Transportation Department.

Mr. Parker, as Senior Vice President, retains his responsibilities for public and employee relations but with increased emphasis on guidance to management in understanding and bettering the communities in which the company lives and operates. He joined General Mills in 1956 and became Vice President and Director of Public Relations in 1965 following service as General Manager of Canadian Operations and later General Manager of the International Division.

Mr. Porter's election as Vice President-Finance as well as Treasurer reflects the growing importance of finance and related management efforts to the company's development and growth. After

FUN and FASHION. *Skilled demonstrators show customers how to make their own handcrafted items at new LeeWards Hobby Center which opened at Columbus, Ohio, in October, 1969. LeeWards is the trade name of retail stores and catalog operations of Dexter Thread Mills, Inc., a subsidiary since February, 1969.*

joining the company in 1962 as financial analyst, he was elected Treasurer of General Mills in 1967 and a Vice President in 1968.

Four new operating divisions established during the year—two reflecting the company's growth through diversification, two others planned to increase operational effectiveness—brought new executive assignments. William R. Humphrey, Jr., Vice President, became General Manager of a newly formed Food Service and Protein Products Division. Formerly, he headed the Food Service Division to which protein operations were added. F. William Graham, who headed a venture team that took General Mills into the fashion industry, became General Manager of a new Fashion Division.

Fred Blumers, formerly Vice President and Director of Operations for the Consumer Foods Group, is now General Manager of a new Package Foods Operations Division, which integrates the functions of distribution, manufacturing, engineering, transportation and purchasing for the Consumer Foods Group in a single operational unit. Howard L. Ross, previously Vice President and Director of Sales for the Consumer Foods Group, now serves as General Manager of a Grocery Products Sales Division, which not only sells and merchandises Consumer Foods Group products but serves as a corporate resource available to all General Mills activities.

Two Vice Presidents were assigned to head new subsidiary companies formed during the year. Donald W. Carlson, formerly General Manager of the Chemical Division, is now a Vice President of General Mills and President of General Mills Chemicals, Inc., organized to make the company's chemical operations more identifiable as an industry-oriented business independent of the consumer-oriented operations of the rest of the company. Michael L. Tracy, Vice President and General Manager of the Consumer Specialties Division, now serves as President and Chief Executive Officer of GoodMark, Inc., which will consolidate in one subsidiary the meat snack operations of Slim Jim, Inc., and Jesse Jones Sausage Company.

In other top-level changes, Ross N. Clouston was named President of The Gorton Corporation, M. J. Ferreira, Chairman, General Mills *(U. K.-Europe)*, Robert L. Steiner, President and Chief Executive Officer of Kenner Products Company and Dr. Harold A. Wittcoff, Director of Corporate Research for General Mills.

Clouston was appointed a Vice President of General Mills, Inc., as were four other executives during the year: James J. Feeney, Assistant General Manager of the Sperry Division; Carson J. Morris, Assistant General Manager of the Food Service and Protein Products Division; Arthur R. Schulze, Assistant General Manager of the Big G Division, and Stanley V. Tabor, formerly President of the Melville Realty Company of New York, who joined General Mills as Vice President, Corporate Real Estate. In June, after the close of the fiscal year, F. William Graham, General Manager of the Fashion Division, was appointed a Vice President. At the same time, Dr. John V. Luck, newly appointed Technical Director of General Mills, was elected a Vice President effective July 15, 1970.

Vice Presidents Roger S. Carlson, Assistant General Manager of the Golden Valley Division, and Fred M. Pugh, Vice President, Special Corporate Assignments, left the employ of General Mills during the fiscal year.

Kinney, Swanson Join Board of Directors

Two executives of General Mills joined the Board of Directors during 1969-70, bringing broad and varied experience. E. Robert Kinney and Donald F. Swanson were both elected to board membership when named Executive Vice Presidents in November, 1969.

A graduate of Bates College, Mr. Kinney also studied at Harvard Graduate School. He founded the North Atlantic Packing Company, Bar Harbor, Me., in 1941, serving as its President until 1952. In 1954, he joined The Gorton Corporation and was elected President of that company in 1958. He became a Vice President of General Mills in September, 1968, a month after the General Mills-Gorton Corporation merger.

Mr. Swanson, a University of Minnesota graduate, has a distinguished record of 21 years' service with General Mills. He became a Vice President in February, 1964, and General Manager of the company's Grocery Products Division the following December. In January, 1968, he was named a Corporate Administrative Officer. He has had extensive experience in sales, advertising and marketing.

Dr. William B. Reynolds, because of ill health, retired during the year from the Board of Directors and from his position as Vice President and Technical Director of General Mills. Dr. Reynolds, who joined the company in 1959 as Vice President-Research after serving as Director of Research for the Phillips Petroleum Company, has been a Director since 1964. He played a key role in building the company's research and engineering organizations.

Dr. Reynolds' successor as Vice President and Technical Director, Dr. John V. Luck, came to the company from the Glidden-Durkee Division of the SCM Corporation in Cleveland, where he has served for the past 10 years as Director of Research and Development for Durkee Foods.

Charles H. Bell Retires, Continues As A Director

For the first time in its history, General Mills does not have a member of its founder's family among its active employees. Charles H. Bell, whose leadership played a major part in General Mills' transformation from a flour milling company into a broadly based producer and marketer of consumer products, retired on October 1, 1969.

Mr. Bell had served 39½ years in a wide variety of positions, including President and Chairman of the Board of Directors. He was Chairman of the Executive Committee at the time of his retirement.

Although he is no longer on the employee roll, Mr. Bell's knowledge, experience and wisdom are still available to the company since he continues to serve as a Director and as Chairman of the Finance Committee of the board.

Son of the late James F. Bell, who founded General Mills in 1928, Charles Bell joined General Mills in 1930 at the company's Minneapolis flour mill. After progressing through a wide variety of assignments in grain activities and accounting, he became a salesman in 1934 and Sales Promotion Manager for the company's Grocery Products Division three years later. Following service in the Army Air Corps during World War II, he returned to the company in 1945 as Research-Production Coordinator. He was elected a Vice President in 1947, a member of the Board of Directors in 1948 and Executive Vice President in 1950. He became President in 1952 and Chairman of the Board in 1961.

Upon his retirement, Mr. Bell said, "Forward progress and success depend on people, intelligent and dedicated people. We have such people in General Mills in a very full measure. I feel strongly that we have today more skilled, talented, capable people than ever before in our history, the kind of people who can most successfully cope with today's fast-moving pace, with today's fast-changing world and our new and changing activities."

Betty Crocker's Cookbook Establishes Sales Record

A million copies of *Betty Crocker's Cookbook* rolled from the presses in fiscal 1969-70. Fourth in a series of *Betty Crocker Cookbooks,* the first of which appeared in 1950, this newest edition reached the market in October, 1969, and became an instant best seller, exceeding even the spectacular popularity of its predecessors.

Betty Crocker's Family Dinners in a Hurry also made its debut during the year. It offers 45 complete meal plans, all of which can be prepared in an hour or less.

General Mills Continues To Meet Responsibilities of Citizenship

Public service again played a prominent role in General Mills' 42nd year. In addition to continuing programs of creative philanthropy, employment of the disadvantaged and commercial ventures directed at social needs, the company and its people met the responsibilities of citizenship in new areas.

In the White House Conference on Food, Nutrition and Health, called by President Richard M. Nixon, James P. McFarland, General Mills' Chief Executive Officer, chaired a special panel seeking ways for the food industry to harness promotion and advertising to improve the nutritional status of the American people. Currently, Mr. McFarland serves as Chairman of the Grain Milling Sub-Council of the National Industrial Pollution Control Council appointed by President Nixon in the spring of 1970.

In its 16th year, the Betty Crocker Search for the American Homemaker of Tomorrow continued to help high schools prepare young women for their future responsibilities as wives and mothers. More than 15,000 schools enrolled 646,041 senior girls, an all-time high. Two students in each state and the District of Columbia received scholarships ranging from $500 to $5,000.

During fiscal 1969-70, General Mills received an "Award for Excellence in Corporate Reporting" from the Financial Analysts Federation. This award recognizes the company's annual report plus its total informational program for professional and non-professional investors, its relationship with financial analysts, its accuracy in the selection of accounting practices and other facets of its financial public relations program.

Over 40 Labor Agreements Negotiated Satisfactorily

In a year of general unrest throughout the nation, General Mills and the unions representing its employees maintained a constructive relationship. More than 40 labor agreements were satisfactorily negotiated for terms of two or more years.

In addition, approximately 24 pension and health and welfare contracts were signed, all for three-year terms.

Two work stoppages occurred in conjunction with subsidiary company labor negotiations. On September 22, 1969, 135 production and maintenance employees of General Mills Cereals, Ltd., in Toronto, Canada, struck over the issue of wages, returning to work on December 2, 1969. Employees of The Gorton Corporation of Gloucester, Mass., struck on May 1, 1970, over the basic issue of wages and returned to work on May 18, 1970.

FOOD. *A pioneering venture in the distribution of snacks through vending machines in England is planned to increase sales of The Smiths Food Group.*

Results of Operations

GENERAL MILLS, INC., AND SUBSIDIARIES

	53 Weeks Ended May 31, 1970	52 Weeks Ended May 25, 1969
	(in thousands)	
SALES	$1,021,747	$922,441
COSTS:		
Costs of sales, exclusive of items shown below	638,102	582,831
Depreciation and amortization (Notes 4 and 5)	25,608	22,777
Interest expense	17,201	12,749
Contributions to employees' retirement plans (Note 9)	1,992	2,166
Profit sharing distribution	2,263	2,349
Selling, general and administrative expenses	251,806	219,629
TOTAL	936,972	842,501
EARNINGS BEFORE TAXES ON INCOME and before extraordinary items and other items shown below	84,775	79,940
TAXES ON INCOME (Note 7)	44,090	41,136
OTHER ITEMS:		
Share of earnings of The Gorton Corporation from purchased portion of the business	—	(134)
Share in earnings (loss) of 50% owned companies	218	(107)
Minority interests in net earnings of consolidated subsidiaries	(293)	(430)
EARNINGS BEFORE EXTRAORDINARY ITEMS	40,610	38,133
EXTRAORDINARY ITEMS (NET OF INCOME TAXES):		
Write-off of "excess of cost over net assets of consolidated subsidiaries" related to The Smiths Food Group Limited (Note 5)	(13,087)	—
Losses on disposition of Morton Foods and Viking International operations and in 1969 losses on disposition of Louisville flour packaging plant and other investments	(1,979)	(716)
Elimination of reserve for self-insurance and research and in 1969 reduction of reserves for liquidation of discontinued operations	1,522	2,000
NET EARNINGS	$ 27,066	$ 39,417
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE:		
Earnings before extraordinary items	$ 1.88	$ 1.77
Extraordinary items	(.63)	.06
Net earnings	$ 1.25	$ 1.83
Average number of common and common equivalent shares	21,595	21,540

Earnings Employed in the Business

	53 Weeks Ended May 31, 1970	52 Weeks Ended May 25, 1969
	(in thousands)	
NET EARNINGS FOR THE YEAR	$ 27,066	$ 39,417
DIVIDENDS:		
$1.75 cumulative convertible preference stock	2,657	2,733
Common stock ($.88 per share, 1970, and $.80 per share, 1969)	16,368	13,901
Pooled companies, prior to date acquired	—	347
TOTAL	19,025	16,981
NET EARNINGS IN EXCESS OF DIVIDENDS	8,041	22,436
Excess of cost over stated value of treasury stock used in acquiring pooled companies	(1,546)	—
Other adjustments and expenses relating to pooled companies	(281)	122
NET INCREASE IN EARNINGS EMPLOYED IN THE BUSINESS	6,214	22,558
EARNINGS EMPLOYED AT BEGINNING OF YEAR	194,820	172,262
EARNINGS EMPLOYED AT END OF YEAR (Note 6)	$ 201,034	$194,820

See accompanying statement of accounting methods and notes to consolidated financial statements on following pages.

Financial Position

GENERAL MILLS, INC., AND SUBSIDIARIES

	May 31, 1970	May 25, 1969
	(in thousands)	
CURRENT ASSETS:		
Cash	$ 6,952	$ 14,496
Short-term marketable securities (at cost, approximates market value)	6,997	10,347
Receivables (Note 2)	98,599	90,768
Inventories (Note 3)	125,282	112,449
Prepaid expenses	11,032	8,410
TOTAL	248,862	236,470
CURRENT LIABILITIES:		
Notes payable	6,242	9,133
Accounts payable and accrued expenses	85,452	81,317
Accrued taxes	19,410	18,635
Thrift accounts of officers and employees	3,289	2,975
Dividends payable	650	683
TOTAL	115,043	112,743
WORKING CAPITAL	133,819	123,727
OTHER ASSETS:		
Land, buildings and equipment (Note 4)	266,906	239,752
Investments, instalment receivables and miscellaneous assets	41,429	39,383
Deferred Federal income tax benefits, net (Note 7)	901	—
Excess of cost over net assets of consolidated subsidiaries (Note 5)	76,469	89,761
Patents, copyrights, contracts and other intangibles, less amortization (Note 5)	31,072	32,616
TOTAL	416,777	401,512
WORKING CAPITAL AND OTHER ASSETS	550,596	525,239
LONG-TERM DEBT, RESERVES AND DEFERRED LIABILITIES:		
Long-term debt (Note 6)	234,749	214,675
Deferred Federal income taxes, net (Note 7)	—	3,503
Reserve for disposition losses	3,445	3,016
Other liabilities, reserves and deferred credits	5,117	6,059
TOTAL	243,311	227,253
EXCESS OF ASSETS OVER LIABILITIES AND RESERVES	307,285	297,986
MINORITY INTERESTS	3,791	3,434
EXCESS OF ASSETS OVER LIABILITIES, RESERVES AND MINORITY INTERESTS	$303,494	$294,552
STOCKHOLDERS' EQUITIES (Note 8):		
Preference stock (involuntary liquidation value $89,194,000, May 31, 1970)	$ 4,701	$ 4,934
Common stock	107,927	107,142
Earnings employed in the business (Note 6)	201,034	194,820
Common stock in Treasury (deduct)	(10,168)	(12,344)
TOTAL STOCKHOLDERS' EQUITIES	$303,494	$294,552

See accompanying statement of accounting methods and notes to consolidated financial statements on following pages.

Accounting Methods used by General Mills

Accounting methods used by various companies differ. A brief description of the principal procedures used by General Mills may, therefore, be helpful in reading the company's financial reports.

SUBSIDIARY COMPANIES

Earnings of General Mills include the company's share of the profits or losses of all subsidiaries in which we own an interest of 50 per cent or more. Earnings include only the dividends received from companies in which our interest is less than 50 per cent. The full amount of sales and costs of companies in which General Mills owns a majority interest are included in the results of operations.

Sales, costs and earnings of businesses purchased for cash are included in the results of operations from the date of acquisition. Businesses acquired by issuance of stock have been included in financial reports as though they had been a part of General Mills for the periods presented under pooling of interests accounting.

Financial information concerning foreign operations is translated to U. S. dollars based on applicable currency exchange rates.

EXTRAORDINARY ITEMS

On April 11, 1970, The Smiths Food Group Limited, an English subsidiary, was reorganized and the assets transferred to a domestic subsidiary of General Mills. At the same time, "excess of cost over net assets of consolidated subsidiaries" related to the purchase of this English subsidiary was written off, resulting in an extraordinary charge of $13,087,000 (net after related income taxes of $4,067,000) in the earnings statements.

During the past year, General Mills sold its interest in Viking International, S.A., a Belgian subsidiary of The Gorton Corporation. The company also sold most of the assets of Morton Foods, Inc., and a reserve has been established for anticipated losses resulting from future disposition of the remaining Morton assets. During the past two fiscal years, Morton's volume represented about three per cent of total General Mills sales, and its contribution to total operating profits was marginal. About half of Morton's volume was in snack and other consumer food items; the remainder was in commercial items. Estimated losses resulting from these dispositions, totaling $1,979,000 (net after related income taxes of $1,449,000), have been included in the results of operations as an extraordinary item.

In its early years, General Mills created two reserves out of earnings to provide for unusual costs arising from self-insurance risks or for unusual research and development expenditures. It was contemplated that unusual costs or expenditures of this nature would be charged against the reserves and thereby have no adverse effect on the company's results of operations. Accounting rules have changed since these reserves were established, and any such charges must be included in the results of operations for the year in which they are incurred. Accordingly, the company eliminated these reserves during the past year, resulting in extraordinary income of $1,522,000 (no related income taxes) in the earnings statements.

EARNINGS PER SHARE

In determining earnings per common share, we include the average number of common shares outstanding plus what are called "common share equivalents." Common share equivalents include common shares which may be issued under varying circumstances in the future. For General Mills, these include:

- Shares to be issued as a result of possible conversion of preference stock.
- Shares for certain stock options.
- Treasury shares purchased for officers and employees under a profit sharing plan.
- Shares for the former stockholders of Kenner Products Company earned through profit performance under the contract for acquisition of this business.

DETERMINATION OF INCOME

The following accounting methods have been applied from year to year in the determination of income:

Inventory pricing results in a value which approximates the cost of the most recently purchased materials making up the inventory.

A portion of the cost of buildings and equipment is charged against earnings each year as depreciation expense. This amount is computed by the straight-line method, which means that approximately equal amounts of depreciation expense are charged against operations each year during the useful life of the building or machine. For tax purposes, however, accelerated methods of depreciation are used which take more depreciation expense in the early years than in the later years of the useful life of the property. In addition to depreciation, other significant differences between amounts in our earnings statements and in our income tax returns are deferred compensation paid to officers and employees under a profit sharing plan, provisions for disposition of certain operations and write-off of "excess of cost over net assets of consolidated subsidiaries." Earnings are charged currently for deferred taxes resulting from these differences.

Earnings also are charged with the year-by-year reduction in value resulting from the expiration of patents, copyrights and contracts, usually acquired through the purchase of businesses.

Amounts for research and development are charged against earnings for the year in which they are spent.

Notes to Consolidated Financial Statements

1. PRINCIPLES OF REPORTING AND CONSOLIDATION

The consolidated financial statements include the accounts of General Mills, Inc., and all 100% owned and majority-owned subsidiaries. The company's investments in 50% owned companies are carried at cost plus or minus its share in accumulated profits or losses since acquisition. Current assets and liabilities of foreign subsidiaries are consolidated at fiscal year end exchange rates, and other assets and liabilities generally are consolidated at exchange rates at time acquired or incurred. The fiscal years of foreign subsidiaries generally end during March or April.

The financial statements have been restated to include, on a pooling of interests accounting basis, the accounts of David Crystal, Inc., acquired September 23, 1969, in exchange for 938,682 shares of common stock; Knothe Brothers Co., Inc., acquired December 2, 1969; and Red Lobster Inns of America, Inc., acquired January 6, 1970. To acquire the latter two businesses, the company exchanged 40,371 shares and 26,966 shares, respectively, of common stock held in the Treasury. Additional common stock, which should not exceed 189,782 shares, may subsequently be issued based upon future earnings of Knothe and Red Lobster and also based upon the market price of General Mills common stock.

During the 1970 fiscal year, the company purchased the following businesses for cash: Binder Tool and Mold Limited (75%); Agincourt Foods Limited; Alex Tolmer & Associates Pty., Ltd. (75%); and Miro Company, S.A. (increased to 60%).

2. RECEIVABLES

	May 31, 1970	May 25, 1969
Customer	$ 90,714,000	$ 83,287,000
Miscellaneous	10,293,000	9,158,000
	101,007,000	92,445,000
Less allowances for possible losses	2,408,000	1,677,000
	$ 98,599,000	$ 90,768,000

3. INVENTORIES

Package foods, toys and games, chemical products, etc., at lower of cost or market	$100,674,000	$ 86,668,000
Grain for processing and flour at market, after appropriate adjustments for open cash trades, unfilled orders, etc.	12,524,000	13,045,000
Containers, supplies, etc. at cost	9,812,000	10,301,000
	123,010,000	110,014,000
Advances on grain and other commodities	2,272,000	2,435,000
	$125,282,000	$112,449,000

4. LAND, BUILDINGS AND EQUIPMENT

Buildings	$135,595,000	$135,341,000
Equipment	238,559,000	225,241,000
Construction in progress	33,112,000	14,715,000
Accumulated depreciation	(148,227,000)	(139,228,000)
Depreciated cost of buildings and equipment	259,039,000	236;069,000
Land	18,930,000	13,360,000
	277,969,000	249,429,000
Provision for losses on disposition of facilities	(11,063,000)	(9,677,000)
Net value	$266,906,000	$239,752,000

Land, buildings and equipment are stated substantially at cost. Depreciation, provided for the most part by the straight-line method, amounted to $22,505,000 in 1970 and $19,916,000 in 1969.

5. INTANGIBLE ASSETS

Excess of cost over net assets of consolidated subsidiaries represents the difference between purchase prices and the values ascribed to the net assets of businesses acquired for cash. As part of a reorganization of The Smiths Food Group Limited, an English subsidiary, the excess of cost over net assets of that subsidiary was written off during the year. At its meeting on May 25, 1970, the Board of Directors confirmed that the remaining amounts composing the excess of costs over net assets of consolidated subsidiaries have continuing value; accordingly, these intangible assets have not been amortized or otherwise reduced in value. Amortization of other intangibles which have limited useful lives amounted to $3,103,000 in 1970 and $2,861,000 in 1969.

6. LONG-TERM DEBT

	May 31, 1970	May 25, 1969
Promissory notes due under revolving credit agreement with interest at 8% as of May 31, 1970 (see description of terms below)	$ 86,900,000	$ 59,400,000
Three 20-year 3½% promissory notes of $5,000,000 each, due August 1, 1972, May 1, 1974, and May 1, 1975	15,000,000	15,000,000
Three 25-year 4¼% promissory notes of $10,000,000 each, due May 1, 1982, May 1, 1983, and May 1, 1984	30,000,000	30,000,000
4⅝% sinking fund debentures, due August 1, 1990	30,700,000	34,225,000
Tom's Foods Ltd., 6¼% Guaranteed Debenture Stock, due March 31, 1988 (formerly debt of The Smiths Food Group Limited, a subsidiary which was reorganized during 1970)	6,302,000	6,507,000
General Mills Finance N.V., 7% Guaranteed Eurodollar Debentures, due 1980	18,495,000	19,509,000
General Mills Finance N.V., 7½% foreign currency term loan, due July 20, 1972	9,287,000	—
Other Eurodollar and foreign currency term loans, 8% to 9⅝%, due through 1975	29,000,000	40,800,000
Miscellaneous debt	10,196,000	10,266,000
	235,880,000	215,707,000
Less current portion of above included under current liabilities	1,131,000	1,032,000
	$234,749,000	$214,675,000

The company has a revolving credit agreement under which it may borrow and pre-pay without penalty up to $110,000,000. Interest on amounts borrowed, which may range between 4% and 8%, is based upon the "fluctuating best rate" as defined in the contract. Notes issued and not prepaid prior to December 27, 1970, become payable in 10 substantially equal consecutive semiannual instalments commencing June 27, 1971.

Sinking fund and principal payments on long-term debt are $1,131,000, $31,305,000, $36,325,000, $31,989,000 and $26,736,000 in fiscal years ending in 1971, 1972, 1973, 1974 and 1975, respectively. The terms of the promissory note agreements and the revolving credit agreement place restrictions on the payment of dividends and capital stock purchases and redemptions. At May 31, 1970, $8,577,000 of earnings employed in the business was free of such restrictions.

7. TAXES ON INCOME

A provision of $2,216,000 ($1,015,000 in 1969) has been charged to the current year's operations for deferred Federal income taxes. The investment credit for 1970, $509,000 ($1,097,000 in 1969), was credited to the provision for income tax expense for the year.

8. STOCKHOLDERS' EQUITIES

The $1.75 cumulative convertible preference stock outstanding is convertible into common stock at the option of the holder at a rate of 1.7 shares of common stock for each share of preference stock and is subject to anti-dilution provisions. During the year, 73,764 shares of preference stock ($233,000) were converted into 125,389 shares of common stock. This preference stock is callable at the option of the company after August 26, 1971, at a price of $65 per share, declining at the rate of $1.00 per share each August 26 until 1976, when it becomes callable at $60 per share. In the event of involuntary liquidation, the holder of these preference shares shall receive $60 per share, plus accrued dividends. Holders of shares of $1.75 preference stock are entitled to .85 of a vote per share, and holders of common stock are entitled to one vote per share on all matters upon which stockholders generally have the right to vote.

During the year, 12,398 shares of treasury stock ($243,000) were transferred to officers and employees under the profit sharing plan and for contest awards.

The company has stock option plans for its officers and employees which have expired and under which no further options may be granted. On June 22, 1970, the Board of Directors adopted, subject to approval by the stockholders, a new stock option plan under which 600,000 shares of common stock would be reserved for option grants. All these plans provide for termination of options at either five or 10 years after date of grant with certain exceptions due to death, disability or retirement. Options are granted at not less than 100% of fair market value. Information on stock option transactions during the year is shown below.

	Shares	Option Price per share
Granted	150,733	$25.19-$32.50
Became exercisable	118,403	16.67- 40.75
Exercised	25,658	14.66- 31.00
Expired	58,840	27.91- 40.75
Outstanding at end of year to 308 officers and employees	506,058	14.66- 40.75

Changes in the value and number of issued shares of $1.50 par value common stock are shown in the table on the next page.

Common Stock

	Shares	Amount
Balance, May 25, 1969	18,212,202	$104,612,000
Shares issued to acquire the outstanding stock of David Crystal, Inc.	938,682	2,416,000
Treasury shares issued to acquire Knothe Brothers Co., Inc., and Red Lobster Inns of America, Inc.	—	114,000
Balance, May 25, 1969, as restated for pooling of David Crystal, Knothe and Red Lobster	19,150,884	107,142,000
Excess of par value of common stock issued and contingently issuable over par value of common stock of Red Lobster, a pooled company	—	255,000
Stated value of treasury stock issued to acquire pooled companies	—	(387,000)
Proceeds from sale of stock under option plans	25,658	684,000
Conversion of $1.75 cumulative convertible preference stock	125,389	233,000
Additional shares issued in connection with Kenner Products Company acquisition	10,789	—
Balance, May 31, 1970	19,312,720	$107,927,000

Stockholders' Equities

	May 31, 1970		May 25, 1969	
	Shares	Amount	Shares	Amount
No par value cumulative preference stock:				
Authorized	5,000,000		5,000,000	
Issued—$1.75 voting cumulative convertible	1,486,574	$ 4,701,000	1,560,338	$ 4,934,000
Common stock—$1.50 par value:				
Authorized	30,000,000		30,000,000	
Reserved for issuance under stock option plans:				
Options outstanding	506,058		439,823	
Available for grant	—		231,201	
Reserved for conversion of convertible preference stock	2,527,176		2,652,575	
Reserved for Kenner and certain other pooled acquisitions	851,458		672,465	
Issued at stated value	19,312,720	107,927,000	19,150,884	107,142,000
Common stock—class B, $3 par value, no-dividend:				
Authorized	1,000,000		1,000,000	
Issued	—		—	
Earnings employed in the business		201,034,000		194,820,000
Common stock $1.50 par value, in Treasury, at cost (deduct)	(360,314)	(10,168,000)	(440,049)	(12,344,000)
		$303,494,000		$294,552,000

9. OTHER MATTERS

The company and its subsidiaries have several employee pension plans. Based on actuarial determinations, the plans are fully funded with respect to all vested benefits. The unfunded past service costs were approximately $4,600,000 at May 31, 1970. It is the companies' policy to fund pension cost accrued.

Authorizations at May 31, 1970, for unexpended appropriations for property additions and improvements and for maximum potential cash payments under contingent purchase price contracts for acquired businesses amounted to approximately $84,400,000.

There was no litigation pending at May 31, 1970, not provided for in the accounts, which in the opinion of management, would have a significant effect on the financial position of the company.

On July 20, 1970, General Mills, Inc., was notified that the Federal Trade Commission plans to institute a formal proceeding charging violation of the Clayton Act and requiring divestiture of the business and assets of The Gorton Corporation.

Sources and Uses of Working Capital GENERAL MILLS, INC., AND SUBSIDIARIES

		53 Weeks Ended May 31, 1970		52 Weeks Ended May 25, 1969
		(in thousands)		
Working Capital Provided By:				
Net Earnings		$ 27,066		$ 39,417
Add non-cash items:				
Depreciation of fixed assets and amortization of intangibles		25,608		22,777
Write-off of "excess of cost over net assets of consolidated subsidiaries" related to The Smiths Food Group Limited		13,087		—
Other (primarily deferred Federal income taxes)		3,707		1,124
Total working capital provided from operations		69,468		63,318
Increase in long-term debt		19,150		22,674
Sale of stock upon exercise of options		684		1,978
Common stock issued—net of treasury stock acquired		—		35,879
Book value of property, plant and equipment of operations sold in 1970		6,277		—
Other sources		1,101		2,280
TOTAL WORKING CAPITAL PROVIDED		96,680		126,129
Working Capital Used For:				
Purchase of businesses—cash prices		10,251		57,025
Less working capital acquired		1,401		8,985
Balance		8,850		48,040
Consisting of—Fixed assets	$ 1,415		$ 4,814	
—Intangible and miscellaneous assets	9,387		39,193	
—Long-term debt	(924)		(848)	
—Minority interests	(997)		4,939	
—Deferred taxes, etc.	(31)		(58)	
Additions to plant and equipment less proceeds from sales		53,145		31,005
Cash dividends		19,025		16,981
Increase in instalment receivables—net		770		1,750
Increase in investments		1,217		7,234
Other uses		3,581		1,319
TOTAL WORKING CAPITAL USED		86,588		106,329
NET INCREASE IN WORKING CAPITAL		10,092		19,800
WORKING CAPITAL AT BEGINNING OF YEAR		123,727		103,927
WORKING CAPITAL AT END OF YEAR		$133,819		$123,727

Major outflows of working capital were expenditures for plant and equipment of $53,100,000, dividend payments of $19,000,000 and cash purchases of businesses of $10,300,000. Cash purchases of businesses included Binder Tool and Mold Limited (75%), Miro Company, S.A. (increased to 60%), Alex Tolmer & Associates Pty., Ltd. (75%), Agincourt Foods Limited and payments applicable to contingent purchase price contracts. (The acquisitions of David Crystal, Inc., Knothe Brothers Co., Inc., and Red Lobster Inns of America, Inc., are not reflected in the purchase price of businesses acquired since these were treated as "poolings of interests.")

Net earnings, after addition of charges not requiring cash outlays, contributed $69,500,000. The increase in long-term borrowings provided $19,200,000. These amounts plus other transactions provided total working capital of $96,700,000.

The combination of uses, totaling $86,600,000, with additions of $96,700,000, resulted in a net increase in working capital of $10,100,000 during the year.

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
MIDWEST PLAZA BUILDING
MINNEAPOLIS, MINNESOTA 55402

July 24, 1970

The Stockholders and the Board of Directors
General Mills, Inc.:

We have examined the statement of financial position of General Mills, Inc. and subsidiaries as of May 31, 1970, and the related statements of results of operations and earnings employed in the business and the statement of sources and uses of working capital for the 53 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of financial position and statements of results of operations and earnings employed in the business present fairly the financial position of General Mills, Inc. and subsidiaries at May 31, 1970, and the results of their operations for the 53 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year as restated. Also, in our opinion, the accompanying statement of sources and uses of working capital presents fairly the information shown therein.

Peat, Marwick, Mitchell & Co.

Sales*

BY MAJOR PRODUCT GROUP *(in millions)*

	Fiscal Years									
	1970		1969		1968		1967		1966	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Cereals and Snacks	$ 333.0	32.6	$309.1	33.5	$238.7	30.7	$222.2	30.4	$188.6	27.3
Mixes, Family Flour, Seafoods, Other	314.3	30.8	290.5	31.5	280.0	36.0	276.3	37.8	271.6	39.4
Consumer Foods	647.3	63.4	599.6	65.0	518.7	66.7	498.5	68.2	460.2	66.7
Commercial Foods	154.7	15.1	147.5	16.0	142.3	18.3	145.9	19.9	159.7	23.2
Total Food Products	802.0	78.5	747.1	81.0	661.0	85.0	644.4	88.1	619.9	89.9
Crafts, Games and Toys	104.1	10.2	91.7	9.9	51.5	6.7	30.7	4.2	20.6	3.0
Specialty Chemicals	36.3	3.6	38.6	4.2	36.4	4.7	30.3	4.1	27.4	4.0
New Ventures	79.3	7.7	45.0	4.9	28.4	3.6	26.1	3.6	21.3	3.1
TOTAL SALES	$1,021.7	100.0	$922.4	100.0	$777.3	100.0	$731.5	100.0	$689.2	100.0

Earnings*

BY MAJOR PRODUCT GROUP *(in millions)*

	Fiscal Years							
	1970		1969		1968		1967	
	Amount	%	Amount	%	Amount	%	Amount	%
Cereals and Snacks	$ 53.0	46.6	$ 42.8	41.8	$ 38.2	43.9	$ 35.8	46.6
Mixes, Family Flour, Seafoods, Other	35.2	31.0	35.5	34.7	32.6	37.5	27.3	35.5
Consumer Foods	88.2	77.6	78.3	76.5	70.8	81.4	63.1	82.1
Commercial Foods	7.6	6.7	8.0	7.8	7.0	8.1	7.0	9.1
Total Food Products	95.8	84.3	86.3	84.3	77.8	89.5	70.1	91.2
Crafts, Games and Toys	6.9	6.1	9.9	9.7	5.2	6.0	3.4	4.4
Specialty Chemicals	2.8	2.5	2.0	2.0	1.2	1.4	1.6	2.1
New Ventures	8.2	7.1	4.1	4.0	2.7	3.1	1.8	2.3
Total Operating Profits	113.7	100.0	102.3	100.0	86.9	100.0	76.9	100.0
Unallocated corporate expenses, exclusive of items shown below	(9.4)		(7.3)		(7.5)		(5.8)	
Interest expense	(17.2)		(12.7)		(8.0)		(5.9)	
Profit sharing distribution	(2.3)		(2.4)		(2.1)		(2.4)	
TOTAL EARNINGS BEFORE TAXES	$ 84.8		$ 79.9		$ 69.3		$ 62.8	

* Restated to include David Crystal, Inc. (acquired September 23, 1969), Knothe Brothers Co., Inc. (acquired December 2, 1969) and Red Lobster Inns of America, Inc. (acquired January 6, 1970), all of which are accounted for as poolings of interests.

Operating profits reported above indicate the relative contributions of General Mills' diversified operations to total earnings. They are not necessarily comparable to similar data from other companies since accounting procedures may vary.

Variations between the sales and operating profits shown in these tables for any given year and the figures for that year in preceding annual reports are due principally to minor adjustments in the classification of certain products. Interest has been restated to reflect total expense; the figures shown in last year's annual report were reduced by amounts of interest income.

Ten Years in Review GENERAL MILLS, INC., AND ITS CONSOLIDATED SUBSIDIARIES

Before Restatements for Poolings of Interests

	53 Weeks Ended May 31 1970	May 25 1969	May 26 1968
Sales	$1,021.7	885.2	668.9
Earnings before extraordinary items	$ 40.6	36.2	31.3
Net earnings	$ 27.1	37.5	31.3
Dividends—common stock	$ 16.4	13.9	12.3
—preferred and preference stock	$ 2.6	2.7	2.8
Earnings before extraordinary items in excess of dividends	$ 21.6	19.6	16.2
Per share of common and common equivalent stock (in dollars) *			
Earnings before extraordinary items	$ 1.88	1.77	1.66
Net earnings	$ 1.25	1.83	1.66
Dividends	$ .88	.80	.78¾
Common shares outstanding at year end *	18,952	17,772	16,024
Preferred shares outstanding at year end	—	—	—
Preference shares outstanding at year end	1,487	1,560	1,573
Number of stockholders	32,900	32,900	30,000
Market price range (in dollars)			
—common stock *	39¼-23⅝	43⅝-31⅝	42⅝-30
—preference stock	65½-41	71½-54½	71¼-55⅝

* Adjusted for two-for-one split in August, 1967. Per share data for 1965 through 1970 is based on the average common and common equivalent shares outstanding during the year.

Five Years in Review

dollars in millions

Restated for Poolings of Interests†

	Fiscal Years 1970	1969	1968	1967	1966
Sales	$1,021.7	922.4	777.3	731.5	689.2
Income taxes	$ 44.1	41.1	34.7	30.9	24.2
Earnings before extraordinary items	$ 40.6	38.1	33.8	31.7	29.6
Extraordinary items (net of income taxes)	$ (13.5)	1.3	—	—	(1.1)
Net earnings	$ 27.1	39.4	33.8	31.7	28.5
Earnings before extraordinary items per sales dollar	4.0¢	4.1¢	4.3¢	4.3¢	4.3¢
Per share of common and common equivalent stock (in dollars) *					
Earnings before extraordinary items	$ 1.88	1.77	1.66	1.57	1.47
Net earnings	$ 1.25	1.83	1.66	1.57	1.41
Taxes (Federal, State, Local)	$ 2.90**	2.64	2.26	2.02	1.60
Cash generated from operations	$ 3.22	2.94	2.67	2.45	2.20

† Includes David Crystal, Inc., Knothe Brothers Co., Inc., and Red Lobster Inns of America, Inc., acquired in 1970; The Gorton Corporation, which was accounted for as a part purchase, part pooling of interests, and Jesse Jones Sausage Company, acquired in 1969; Kenner Products Company, acquired in 1968; and Tom Huston Peanut Company, acquired in 1967.

* Adjusted for two-for-one split in August, 1967. Per share data is based on the average common and common equivalent shares outstanding during each year.

** Excluding income tax credits related to extraordinary items of $.26 per share.

dollars in millions and shares outstanding in thousands

/eeks Ended			Years Ended May 31			
lay 28 1967	May 29 1966	May 30 1965	1964	1963	1962	1961
502.5	524.7	559.0	541.3	523.9	546.4	575.5
28.4	23.3	20.4	17.2	14.9	10.2	12.8
28.4	21.9	7.6	13.0	14.9	8.6	12.8
11.4	10.6	9.9	9.2	8.7	8.7	8.6
2.4	—	.3	1.1	1.1	1.1	1.1
14.6	12.7	10.2	6.9	5.1	.4	3.1
1.57	1.52	1.31	1.05	.95	.63	.82
1.57	1.43	.48	.78	.95	.52	.82
.75	.70	.65	.60	.60	.60	.60
5,268	15,190	15,170	15,250	14,502	14,448	14,386
—	—	—	221	221	221	221
,623	—	—	—	—	—	—
),300	27,100	28,700	32,700	30,000	28,400	23,500
¾-27	32-26	31¾-19⅛	21⅜-16¼	19-11⅛	19⅜-10¾	18½-12½
½-48	—	—	—	—	—	—

Other Statistics

Restated for Poolings of Interests

dollars in millions

	Fiscal Years				
	1970	1969	1968	1967	1966
Net expenditures for plant and equipment	$ 53.1	31.0	23.3	26.7	45.9
Research expenditures	$ 13.8	13.3	10.6	10.4	9.2
Advertising media expenditures	$ 56.9	58.3	52.0	53.6	47.1
Wages, salaries and employee benefits	$ 198.0	167.3	130.8	121.2	110.6
Number of employees	28,412	27,384	23,907	17,101	16,092
Depreciation and amortization	$ 25.6	22.8	18.1	14.1	12.9

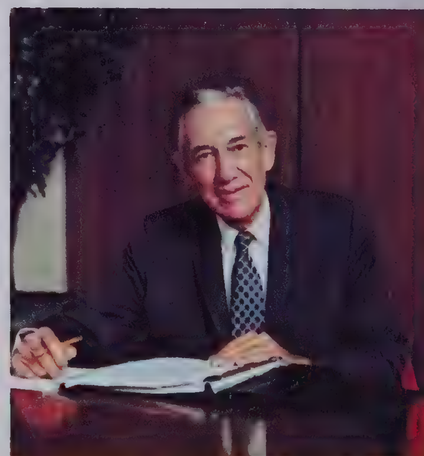
James P. McFarland, Minneapolis
Chairman, Chief Executive Officer
General Mills, Inc.

James A. Summer, Minneapolis
President, Chief
Operating Officer General Mills, Inc.

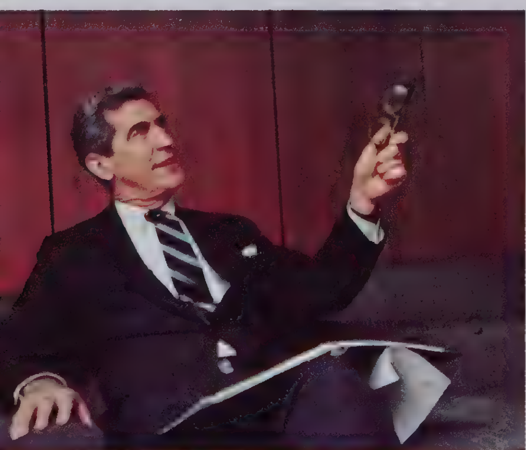
Louis W. Menk, St. Paul
President
Burlington Northern Inc.

David M. Lilly, Minneapolis
Chairman of Board
Toro Manufacturing Corporation

Charles H. Bell, Minneapolis
Chairman of Finance Committee
General Mills, Inc.



Deane W. Malott, Ithaca, N.Y.
President Emeritus
Cornell University



Thomas M. Crosby, Minneapolis
President
Northwest Growth Fund, Inc.

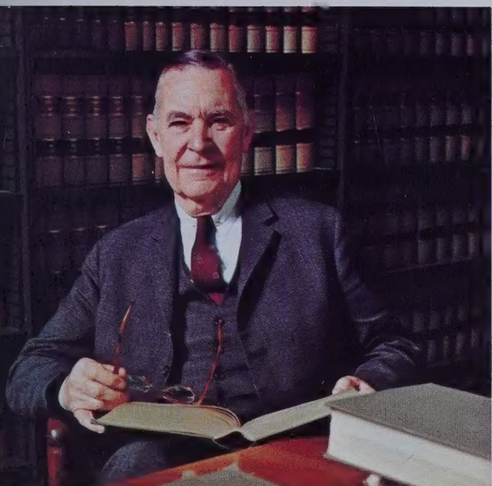
Kenneth N. Dayton, Minneapolis
President
Dayton Hudson Corporation

William H. Lang, St. Paul
President
Foley Brothers, Inc.

E. Robert Kinney, Minneapolis
Executive Vice President
General Mills, Inc.

Donald F. Swanson, Minneapolis
Executive Vice President
General Mills, Inc.

BOARD OF DIRECTORS



Frederick A. O. Schwarz,
New York, N.Y.
of Davis Polk & Wardwell

Edwin W. Rawlings, Minneapolis

R. Stanley Laing, Dayton, Ohio
President
The National Cash Register Company

Ford Bell, Minneapolis

Philip B. Harris, Minneapolis
President
Northwestern National Bank

J. Wilbur Feighner, Columbus, Ga.
Vice President
General Mills, Inc.

Burton W. Roberts, Minneapolis
Executive Vice President
General Mills, Inc.

Stephen F. Keating, Minneapolis
President
Honeywell Inc.

EXECUTIVE COMMITTEE

James P. McFarland, *Chairman*
Charles H. Bell
Ford Bell
Kenneth N. Dayton
Stephen F. Keating
William H. Lang
Edwin W. Rawlings
Frederick A. O. Schwarz

FINANCE COMMITTEE

Charles H. Bell, *Chairman*
Philip B. Harris, *Vice Chairman*
Ford Bell
R. Stanley Laing
James P. McFarland
Edwin W. Rawlings
Frederick A. O. Schwarz

CORPORATE OFFICERS, GENERAL MILLS, INC.

James P. McFarland, *Chairman of Board, Chief Executive Officer*
James A. Summer, *President, Chief Operating Officer*
E. Robert Kinney, *Executive Vice President*
Burton W. Roberts, *Executive Vice President*
Donald F. Swanson, *Executive Vice President*

Sewall D. Andrews, Jr., *Vice President, International Operations*
H. Brewster Atwater, Jr., *Vice President, Consumer Foods Group*
J. Wilbur Feighner, *Vice President, Chairman Tom's Foods Ltd.*
John F. Finn, *Vice President, Secretary and General Counsel*
James S. Fish, *Vice President, Advertising and Marketing Services*
Frank C. Hildebrand, *Vice President, Executive Director of the General Mills Foundation, Chairman of the Information Systems Planning Board*
John V. Luck, *Vice President* and Technical Director*
Craig A. Nalen, *Vice President and General Manager, Craft, Game & Toy Division and Direct Marketing*
Paul L. Parker, *Senior Vice President, Public and Employee Relations*
Henry H. Porter, Jr., *Vice President-Finance and Treasurer*
Edward K. Smith, *Vice President and Controller*
Eugene E. Woolley, *Vice President, Chemical, O-CEL-O, Betty Crocker Tree House, Red Lobster Inns, Corporate Real Estate*

*Elected June 22, 1970, effective July 15, 1970.

TRANSFER AGENCIES

COMMON STOCK:
First National City Bank, New York
Office of the Company, Minneapolis

$1.75 CUMULATIVE CONVERTIBLE PREFERENCE STOCK:
First National City Bank, New York
The First National Bank of Columbus (Georgia)

REGISTRARS

COMMON STOCK:
The Chase Manhattan Bank, N. A., New York
Northwestern National Bank of Minneapolis

$1.75 CUMULATIVE CONVERTIBLE PREFERENCE STOCK:
The Chase Manhattan Bank, N. A., New York
Columbus Bank and Trust Company (Georgia)

OPERATING OFFICERS, General Mills, Inc.

Walter R. Barry, Jr., *Vice President and General Manager, Betty Crocker Division*
Mercedes A. Bates, *Vice President and Director of Betty Crocker Kitchens*
M. M. Benidt, *Vice President and Director of Latin American and Export Operations*
F. C. Blodgett, *Vice President and General Manager, Golden Valley Division*
Fred Blumers, *Vice President and General Manager, Package Foods Operations Division*
Donald W. Carlson, *Vice President, President General Mills Chemicals, Inc.*
Ross N. Clouston, *Vice President, President The Gorton Corporation*
John P. Eckert, *Vice President, Director of International Operations, Craft, Game & Toy Division*
James J. Feeney, *Vice President, Assistant General Manager, Sperry Division*
M. J. Ferreira, *Vice President, Chairman General Mills (U.K.-Europe)*
George C. Gaines, *Vice President, Managing Director, General Mills (U.K.-Europe)*
F. William Graham, *Vice President* and General Manager, Fashion Division*
William R. Humphrey, Jr., *Vice President and General Manager, Food Service and Protein Products Division*
Carson J. Morris, *Vice President, Assistant General Manager, Food Service and Protein Products Division*
Thomas P. Nelson, *Vice President and Controller, Consumer Foods Activities*
Cyril W. Plattes, *Vice President and General Manager, Big G Division*
J. Robert Roach, *Vice President and Director of Research and Development, Consumer Foods Activities*
Howard L. Ross, *Vice President and General Manager, Grocery Products Sales Division*
Gordon W. Ryan, *Vice President and Director of Trade Policy and Customer Relations, Consumer Foods Group*
Arthur R. Schulze, *Vice President and Assistant General Manager, Big G Division*
Michael L. Tracy, *Vice President and General Manager, Consumer Specialties Division*
Gordon E. Whiteman, *Vice President and Director of Grain Operations*
Darryl J. Woodland, *Vice President and General Manager, Sperry Division*

*Appointed June 22, 1970.

OTHER INTERNATIONAL AREA MANAGERS

Cyril L. Ducharme, *Managing Director, Far Eastern Operations*
John D. Herrick, *General Manager, Canadian Operations*

STAFF OFFICERS, GENERAL MILLS, INC.

John M. Barker, *Vice President, Director of Taxes*
Henry H. Finch, *Vice President and Director of Purchases*
Ralph E. Gaylord, *Vice President, Special Corporate Assignments*
John T. Gerlach, *Vice President, Director of Corporate Growth Department*
J. William Haun, *Vice President and Director of Engineering*
Verne C. Johnson, *Vice President and Director of Corporate Planning*
Daniel G. McPherson, *Vice President and Director of Quality Control*
William K. Smith, *Vice President, Transportation*
Stanley V. Tabor, *Vice President, Corporate Real Estate*
Harold A. Wittcoff, *Vice President and Director of Corporate Research*

DOMESTIC SUBSIDIARIES

Craft Master Corporation: Ted C. Betker, *General Manager*
David Crystal, Inc.: Vincent dePaul Draddy, *President*
Dexter Thread Mills, Inc.: Sidney C. Fink, *President*
The Donruss Co.: Donald B. Wiener, *Chief Executive Officer*
General Mills Chemicals, Inc.: Donald W. Carlson, *President*
Gold Medal Insurance Co.: Harry L. Davis, *President*
GoodMark, Inc.: Michael L. Tracy, *President*
The Gorton Corporation: Ross N. Clouston, *President*
Kenner Products Company: Robert L. Steiner, *President*
Model Products Corporation: George A. Toteff, *President*
Monocraft, Inc.: Michael Chernow, *President*
Parker Brothers, Inc.: Edward P. Parker, *President*
Rainbow Crafts, Inc.: C. William Crain, *General Manager*
Red Lobster Inns of America, Inc.: William B. Darden, *President*
Slim Jim, Inc.: Michael L. Tracy, *Chairman of Board*
Tom's Foods Ltd.: J. Wilbur Feighner, *Chairman*

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